

18th May 2016

Luxury & Consumer Goods

Safilo

Price EUR6.62

New CEO of North America and early renewal of Jimmy Choo

Fair Value EUR11 (+66%)

NEUTRAL

Bloomberg	SFL IM
Reuters	SFLG.MI
12-month High / Low (EUR)	13.6 / 6.4
Market Cap (EUR)	414
Avg. 6m daily volume (000)	133.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.4%	-22.0%	-40.4%	-38.2%
Consumer Gds	-1.5%	0.6%	-7.8%	-5.2%
DJ Stoxx 600	-2.4%	1.8%	-11.9%	-8.5%

	2015	2016e	2017e	2018e
P/E	59.7x	11.2x	19.1x	11.6x
Div yield (%)	NM	1.5%	2.3%	3.0%

ANALYSIS

- Having simplified and streamlined its US logistics and distribution network last year, Safilo has announced the appointment of **Henri Blomqvist as new CEO of Safilo North America**, effective August 1st. According to *Vision Monday*, he will also be responsible for the global sports commercial channel which concerns two proprietary brands, Carrera and Smith. Mr Blomqvist joined Safilo in December 2013 as Chief Commercial Officer and he revamped the group's commercial strategy and implemented global commercial policies.
- In his new role, Mr Blomqvist's objective is to enhance Safilo's partnership with its customers (e.g. the group has a strong footprint in the independent ECP channel) and to increase market share in the North American region which is already the group's largest market (~42% of total sales). Moreover, we believe he will also oversee the DC consolidation by midyear (closure of its Parsippany DC and operations to run entirely out of its DC in Denver), the relocation of Safilo's US headquarters (underway) and the stabilisation of the retail business (Solstice) which was down 17% FX-n in Q1 16.
- On Monday, Safilo and **Jimmy Choo** agreed to early renewal of the licensing agreement that is now extended to 31 December 2023 instead of 2018 initially. Jimmy Choo belongs to the "Rockets" category (with Fendi and Céline) which should enjoy double-digit growth each year until 2020, according to the Strategic Plan. On our estimates, this licence generates sales of approx. EUR30-35m and the growth will be driven by incremental marketing investments and distribution gains in Asia and the US.

VALUATION

- This new appointment is part of Safilo's numerous initiatives aimed at strengthening the commercial and go-to-market organization, which sometimes led to self-inflicted wounds (e.g.: sales down 20.5% FX-n in Asia-Pacific over 2015) but were necessary. As the first positive results from these initiatives are ultimately longer in coming and since the organic growth in Q2 should still be impacted by production bottlenecks, we maintain our Neutral recommendation.

NEXT CATALYSTS

- Safilo will report its H1 2016 Results on 3 August.

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BUY ratings 58,2%

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